LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7052 | **NOTE PREPARED:** Jan 5, 2011
BILL NUMBER: HB 1154 | **BILL AMENDED:**

SUBJECT: Health Care Sharing Ministries.

FIRST AUTHOR: Rep. Koch | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: The bill provides an exclusion from an individual's adjusted gross income for amounts: (1) that the individual receives from a health care sharing ministry, a participant of a health care sharing ministry, or the employer of a participant of a health care sharing ministry; and (2) that an individual's employer pays on behalf of the individual because the individual is a participant of a health care sharing ministry. It provides an adjusted gross income tax deduction to an employer for payments that the employer makes on behalf of an employee who is a participant of a health care sharing ministry. It also exempts a health care sharing ministry from requirements of the Insurance Law.

Effective Date: July 1, 2011; January 1, 2012.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new exclusions and the new deduction relating to Health Care Sharing Ministries. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: *Summary*: The potential revenue loss from this bill is indeterminable since reliable information is unavailable regarding: (1) the number of Indiana taxpayers who are participants of Health Care Sharing Ministries (HCSMs); (2) the payments being made to other participants of HCSMs by Indiana taxpayers; and (3) the payments being received by HCSM participants who are Indiana taxpayers. The income exclusions and deduction relating to HCSMs are effective beginning in tax year 2012, so any resulting revenue loss would begin in FY 2013.

(1) The bill establishes two exclusions from an individual taxpayer's Indiana Adjusted Gross Income (AGI)

for certain payments to and from HCSMs meeting requirements established under the bill. The two exclusions would cover amounts paid or received to the extent that they are included in the taxpayer's federal AGI. One exclusion applies to amounts received by the taxpayer from an HCSM, a participant in an HCSM, or an employer of a participant in an HCSM that are included in the taxpayer's federal AGI. The other exclusion applies to payments made in behalf of a taxpayer by the taxpayer's employer to another participant in an HCSM. These two exclusions would not result in a fiscal impact since the payments involved are not currently included in a taxpayer's federal AGI.

(2) The bill establishes a deduction from adjusted gross income for an individual or corporate taxpayer who is an employer and who makes payments to a participant in an HCSM in behalf of an employee who is a participant in an HCSM. The HCSM must comply with requirements established under the bill for the payments to qualify for this deduction. The Alliance for Health Care Sharing Ministries claims that nationally HCSM participants pay more than $60 M per year in participant health care costs. However, the extent to which these payments or any expected annual growth in such payments is attributable to Indiana taxpayers and would be deductible under the bill is unknown.

Background Information: The Alliance for Healthcare Sharing Ministries reports that participantship in HCSMs exceeds 100,000 nationally and that participants pay more than $60 M per year in participant health care costs. Three HCSMs were located on the Internet: Christian Care Ministry in Melbourne, Florida; Christian Healthcare Ministries in Barberton, Ohio; and Samaritan Ministries International in Peoria, Illinois. Samaritan Ministries claims to have 15,000 participant households that are sharing $3.6 M per month in medical expenses. Christian Care Ministry claims to have 12,365 participant households also sharing about $3.6 M in medical expenses per month. The number of Indiana participants of HCSMs and the amount of payments made annually by the participants is unknown.

Under the bill, an HCSM must be a federally tax exempt nonprofit organization comprised only of participants who share similar and sincerely held religious beliefs. The HSCM must serve as a facilitator among participants who have financial or medical needs and matching those participants with other participants who may be able to provide assistance with financial or medical needs. The bill specifies other requirements to be met by an HCSM and exempts HCSMs from Indiana insurance law and regulation as an insurer by the Indiana Department of Insurance.

Revenue from the AGI Tax on corporations and individuals is deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: To the extent that the new income exclusions and the new deduction relating to HCSMs serves to decrease taxable income, counties imposing local option income taxes could potentially experience an indeterminable decrease in revenue from these taxes.

State Agencies Affected: Department of State Revenue; Indiana Department of Insurance.

Local Agencies Affected: Counties with local option income taxes.

Information Sources: The Alliance for Health Care Sharing Ministries, http://www.healthcaresharing.org/; Christian Care Ministry, http://www.tccm.org/; Christian Healthcare Ministries, http://www.chministries.org/default.asp; Samaritan Ministries International, http://www.samaritanministries.org/index.html.

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